

**DEERFIELD PUBLIC SCHOOLS
DEERFIELD, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008
WITH
INDEPENDENT AUDITORS' REPORT**

CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	i – ix
Independent Auditors' Report	1 – 2
Basic Financial Statements:	
Government-wide Financial Statements	
Statements of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Fiduciary Funds	
Statements of Fiduciary Net Assets	9
Statements of Changes in Fiduciary Net Assets	10
Notes to Financial Statements	11 – 23
Required Supplementary Information:	
Independent Auditors' Report on Required Supplementary Information	24
Budgetary Comparison Schedule – General Fund	25

CONTENTS

	<u>PAGE</u>
Other Additional Information:	
Independent Auditors' Report on Additional Information	26
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 – 30
Nonmajor Governmental Fund Types	
Combining Balance Sheet	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	32
Special Revenue Funds	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	34
Capital Projects Funds	
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	36
Statement of Revenues, Expenditures and Fund Balance – Private Purpose Trust Fund	37
Statement of Cash Receipts, Disbursements and Liabilities – Agency Fund	38

**DEERFIELD PUBLIC SCHOOL DISTRICT-DEERFIELD, MICHIGAN
MANAGEMENT AND DISCUSSION LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Our discussion and analysis of Deerfield Public School District's financial performance provides an overview of the School District's financial activities in the fiscal year ended June 30, 2008. The Deerfield Public School District implemented GASB 34 requirements in the June 30, 2004 audit as required by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments issued June, 2000. Certain comparative information between the current year and the prior year is required and will be presented in this MD&A. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

The management's discussion and analysis is provided at the beginning of the audit and organized so that the reader can understand terms the past and current position of the Deerfield Public School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues by program for the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Fund.

USING THIS ANNUAL REPORT

The School District's Annual Report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The *District Wide Financial Statements*, which include the **Statement of Net Assets** and the **Statement of Activities** provide information about the district as a whole and present a longer-term view of the School District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The *Fund Financial Statements* provide detailed information about the School District's most significant funds-not the School District as a whole.

Reporting the school district as a whole

These two statements report the School District's net assets-the difference between assets and liabilities, as reported in the **Statement of Net Assets** – as one way to measure the School District's financial health or financial position. The **Statement of Net Assets**, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations, regardless if they are currently available or not. In comparison to "other assets", capital assets are those assets that are tangible, valued over a specified amount, and usually have a long life. They are depreciated over a useful life. More detail on capital assets and their recorded useful lives is found in the footnote section of the audit. Long-term obligations (liabilities) are those that are longer than one year. Some liabilities are classified as "short-term" for the portion due in a year, and "long-

term” for the portion due in the future years (such as leases payable, compensated absences, and debt obligations). “Other liabilities” are considered to be obligations due within a year. Over time, increases or decreases in the School District’s net assets – as reported in the **Statement of Activities** – is one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the School District’s operating results.

However, the School District’s goal is to provide services to our students, not to generate a profit as commercial entities do. There are other factors to consider such as quality of education and school safety to assess the overall health of the School District.

The **Statement of Net Assets** and **Statement of Activities** report the governmental activities and business-type activities. These statements for the Deerfield Public School District will include only governmental activities, which encompass all of the School District’s services including instruction, supporting services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the school district’s most significant funds

The School District’s fund financial statements provide detailed information about the School District’s most significant funds- not the School District as a whole. The fund statements are similar to financial presentations in the past, but the new focus is on the District’s major funds rather than fund types. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Some funds are required by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (such as **Food Service, Athletics**) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as **Special Revenue**). The School District’s major fund is the **General Fund**.

Most of the School District’s services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called “modified accrual” accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s operations and services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. We describe the relationship (or differences) between *governmental activities* (reported in the **Statement of Net Assets** and the **Statement of Activities**) and *governmental funds* in reconciliation on pages 6 and 8.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Projects Fund, Special Revenue Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Debt Fund is used to record the funding and payment of principal and interest on Bonded Debt. The Special Revenue Fund is used to record the funding and expenditures of monies specified for a specific purpose (Food Service, Athletics). The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

The School District as a Whole

The School District's net assets were \$1,382,204 at the end of June 30, 2008 compared to \$1,483,888 at the end of June 30, 2007. Of that amount \$435,039 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. Our analysis below focuses on the **Net Assets** (Table 1) and **Change in Net Assets** (Table 2) of the School District's governmental activities.

<u>ASSETS</u>		<u>Governmental Activities</u>
	<u>2008</u>	<u>2007</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 345,720	\$ 231,317
Investments	558,542	815,644
Accounts Receivable	14,169	1,847
Due from other governmental units	460,666	460,789
Inventory	-	733
Prepaid Expenses	<u>1,025</u>	<u>10,629</u>
TOTAL CURRENT ASSETS	<u>1,380,122</u>	<u>1,520,959</u>
<u>NONCURRENT ASSETS:</u>		
Capital assets	4,427,664	4,427,664
Less: Accumulated depreciation	(2,487,328)	(2,362,413)
Leased property under capital leases	18,719	18,719
Less: Accumulated amortization	<u>(8,736)</u>	<u>(6,864)</u>
Capital assets - net of accumulated depreciation and amortization	1,950,319	2,077,106
Accrued interest receivable on defeased bonds	16,233	18,684
TOTAL NONCURRENT ASSETS	<u>1,966,552</u>	<u>2,095,790</u>
TOTAL ASSETS	<u>\$ 3,346,674</u>	<u>\$ 3,616,749</u>

LIABILITIES AND NET
ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 11,451	\$ -
State aid and loan payable	450,000	500,000
Salaries payable	181,010	191,492
Accrued expenses	94,227	103,889
Interest payable	17,844	19,710
Unearned revenue	5,597	2,277
Current portion of capital lease obligation	1,495	4,252
Current portion of long-term obligations	110,000	105,000
Current portion of compensated absences	<u>-</u>	<u>7,238</u>

**TOTAL CURRENT
LIABILITIES**

<u>871,624</u>	<u>933,858</u>
----------------	----------------

**NONCURRENT
LIABILITIES:**

Capital lease obligation	-	1,495
Long -term obligation	1,030,000	1,140,000
Compensated absences	<u>62,846</u>	<u>57,508</u>

**TOTAL NONCURRENT
LIABILITIES**

<u>1,092,846</u>	<u>1,199,003</u>
------------------	------------------

TOTAL LIABILITIES

<u>1,964,470</u>	<u>2,132,861</u>
------------------	------------------

NET ASSETS:

Invested in capital assets, net of related debt	826,552	850,790
Restricted for Debt Service	38,619	51,352
Restricted for subsequent year's expenses	81,994	26,098
Unrestricted	<u>435,039</u>	<u>555,648</u>

TOTAL NET ASSETS

<u>\$ 1,382,204</u>	<u>\$ 1,483,888</u>
---------------------	---------------------

The **Statement of Activities** presented later in the government-wide financial statement, provides greater detail On the District's annual activity. The **Statement of Net Assets from Operating Results** (Table 2) shown below Details the cost of the District's governmental activities and how those activities were financed.

Table 2

Statement of Net Assets from Operating Results

REVENUES

Program revenues			
Charge for services			
Food Service			83,390
Athletic Events			15,463
	Instruction		
	State Aid-At Risk	41,083	
	Federal Programs	79,640	
	Other	<u>1,270</u>	<u>121,993</u>
	Food Services		
	Free and Reduced Lunches	43,557	
	Commodity	<u>7,335</u>	<u>50,892</u>
			<u>172,885</u>
General Revenues			
Property Taxes	314,408		
Investment Income	28,539		
State Aid Formula	2,442,773		
Lenawee ISD Special Education	81,451		
Other	<u>18,138</u>		<u>2,885,309</u>
Total revenues			<u>3,157,047</u>
Instruction			
Salaries & Benefits		1,738,851	
Other		<u>55,692</u>	1,794,543
Support			
Salaries & Benefits		649,783	
Other		<u>364,965</u>	1,014,748
Food Services			
Salaries & Benefits		61,465	
		<u>80,850</u>	142,315
Athletics			
Salaries & Benefits		66,120	
Other		<u>53,612</u>	119,732
Depreciation(unallocated)			124,915
Amortization (unallocated)			1,872
Interest on long term debt			45,894
Capital Outlay			9,600
Other			<u>5,112</u>
Total expenses			<u>3,258,731</u>
Changes in Net Assets			<u>(101,684)</u>

Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well.

GENERAL FUND

Factors affecting Revenue

- *State Aid funding* -The State of Michigan provides a \$7,204 per pupil foundation allowance that provides a substantial portion of our district's revenue, 89 percent compared with 89 percent in the 2006-07 fiscal year. In addition we also receive various grants from the state. This means that the financial stability of the District rests primarily with the economic health of the State of Michigan. State aid payments are made with the first payment of the school year beginning in October, and the last payment being made in August. Therefore, at the end of the District's fiscal year end, there is adjustment made that includes 2 months of state aid payments into revenue that has not yet been made.
- *Schools of Choice*-The School District have an agreement with the other public schools in Lenawee County to implement Lenawee County Schools of Choice (Open Enrollment) program. During the 2007-08 school year, of the 357 pupils enrolled, 26 (7%) of our student population were schools of choice pupils compared to 2006-07 of 383 pupils enrolled 29 (8%) were schools of choice pupils.
- *Sinking Fund Millage* – Revenues are generated by taxes going toward building improvements.

Factors affecting Expenses

- *Salaries and Benefits*-A significant portion of the School District's expenses are related to compensation, 88% in 2007-08 versus 86% in the prior fiscal year.
- *Instructional purchases*- Another part of each year's budgetary expenditures includes textbooks and supplemental learning materials, supplies, and purchased services.
- *Operation and Maintenance*-Each year's budgetary expenditures also include the general operation and maintenance of our school buildings.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the District amends its budget during the school year. In fact, all Michigan school districts must complete a second full budget after the state's official student membership count date (the fourth Wednesday in September), because only then are they knowledgeable of their Foundation Grant's income level. These revisions are made in order to deal with the unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year.

Original Budget versus Final Budget

- *Revenues*-Original estimated budgets for revenues were \$2,894,979 versus the final budget of \$2,780,554. Major components of revenue and their original budget versus final budget are discussed below.
- There was a decrease in *State Aid* due to a decrease in student enrollment.
- *Expenditures* – The original budget for expenditures was \$2,847,853 versus the final budget of \$2,863,412. The increase included salaries and benefits.

Final Budget versus Actual Figures

- The majority (about 90%) of *Local Revenues* are property taxes received from four townships including Deerfield, Blissfield, Ridgeway and Summerfield.
- *State Revenues* were budgeted at \$2,478,144 versus actual of \$2,477,561. This is a difference of \$583.
- *Federal Revenues* remained the same.
- *Overall revenues* were over budget by \$17,342 from the final budget amounts. This is an insignificant amount compared to the total revenue budget of \$2,780,554.
- *Expenses*- Final estimated budgets for expenses were \$2,863,412 versus an actual final amount of \$2,821,190. The overall variation from final budget to actual was \$42,222.

Actual Figures 2007-08 compared to 2006-07

- *Local Revenues* for the fiscal year ended were \$158,508 compared to \$158,547 the previous year.
- *State Revenues* for the fiscal year ended were \$2,477,561, compared to \$2,654,138 for fiscal year ended 2006-07. This change reflects the offset of the changes in student population and state sourced grants provided by the state in the fiscal year 2007-08 compared to the previous year.
- *Federal Revenues* for the fiscal year ended were \$79,640 compared to \$97,818 from the previous year. This change reflects the closing of Lenawee's Child program.
- *Expenditures* – As in the previous year, limitations were put on purchase order requests in order to protect fund equity. There were additional cost reductions made in replacement of teacher's retiring. Other reductions were made in supplies, maintenance and transportation.

SPECIAL REVENUE FUNDS

- *School Lunch Fund*-The School Lunch Fund receives its revenues from the sale of goods, State reimbursement and federal grants.
- *Athletic Fund*-The Athletic Fund receives its revenues from admission fees, and transfers from the General Fund. For the fiscal year 2007-08 the General Fund transferred \$100,066 to the Athletic Fund compared to \$80,652 in the fiscal year 2006-07.
- *Capital Projects Fund*- Consist of 2007 Sinking Fund and Capital Fund. These funds are used to do improvements to the district. These funds are restricted for improvements to the district. At the end of the fiscal year 2007-08 there was a fund balance of \$81,994 compared to \$26,098 in the fiscal year 2006-07.
- *Debt Service Fund* – This fund is directly funded through taxes. For fiscal year 2007-08 the collection of property taxes for the retirement of principal and interest relating to the 2007 Sinking Fund debt, the 1997 bonded debt and the 2005 refunding bonds debt was \$137,199 compared to property taxes collected in fiscal year 2006-07 of \$201,370. Principal and interest requirements for the 2007-08 retirement was \$151,382 compared to \$190,878 for fiscal year 2006-07.

CAPITAL ASSET AND DEBT ADMINISTRATION

- *Capital Assets*-At June 30, 2008, the School District had \$1,950,319 invested in capital assets, net of accumulated depreciation. This compares to \$2,077,106 in the 2006-07 fiscal year. The district had bonded debt outstanding of \$1,140,000 and debt related to a copier lease with outstanding payments of \$1,495. As these items also relate to capital assets, the amount *Invested in capital assets net of related debt* is \$826,552 compared to \$850,790 in the previous year. Assets, net of accumulated depreciation will probably continue to decrease because the district at this time has no intention of purchasing many capital assets. Those already on the books will continue to depreciate.
- *Debt Administration*- At the fiscal year ending June 30, 2008, the District's long term obligations included \$1,140,000 in 2005 Debt Retirement bonds. \$1,495 in capital leases and \$62,846 in compensated absences which included accrued sick pay leave.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, please contact:

Business Office
Deerfield Public Schools
252 Deerfield Rd
PO Box 217
Deerfield, MI 49238

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Deerfield Public Schools
Deerfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Deerfield Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Deerfield Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Deerfield Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Deerfield Public Schools, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2008 on our consideration of the Deerfield Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

To the Board of Education
Deerfield Public Schools
Deerfield, Michigan

The management's discussion and analysis and budgetary comparison information on pages i through ix and page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Deerfield Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 6, 2008

DEERFIELD PUBLIC SCHOOLS

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	<u>Governmental Activities</u>	
<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 345,720	\$ 231,317
Investments	558,542	815,644
Accounts receivable	14,169	1,847
Due from other governmental units	460,666	460,789
Inventory		733
Prepaid expenses	<u>1,025</u>	<u>10,629</u>
TOTAL CURRENT ASSETS	<u>1,380,122</u>	<u>1,520,959</u>
NONCURRENT ASSETS:		
Capital assets	4,427,664	4,427,664
Less: Accumulated depreciation	(2,487,328)	(2,362,413)
Leased property under capital leases	18,719	18,719
Less: Accumulated amortization	<u>(8,736)</u>	<u>(6,864)</u>
Capital assets -- net of accumulated depreciation and amortization	1,950,319	2,077,106
Accrued interest receivable on defeased bonds	<u>16,233</u>	<u>18,684</u>
TOTAL NONCURRENT ASSETS	<u>1,966,552</u>	<u>2,095,790</u>
TOTAL ASSETS	<u>\$ 3,346,674</u>	<u>\$ 3,616,749</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,451	\$
State aid loan payable	450,000	500,000
Salaries payable	181,010	191,492
Accrued expenses	94,227	103,889
Interest payable	17,844	19,710
Unearned revenue	5,597	2,277
Current portion of capital lease obligation	1,495	4,252
Current portion of long-term obligations	110,000	105,000
Current portion of compensated absences	<u></u>	<u>7,238</u>
TOTAL CURRENT LIABILITIES	<u>871,624</u>	<u>933,858</u>
NONCURRENT LIABILITIES:		
Capital lease obligation		1,495
Long-term obligations	1,030,000	1,140,000
Compensated absences	<u>62,846</u>	<u>57,508</u>
TOTAL NONCURRENT LIABILITIES	<u>1,092,846</u>	<u>1,199,003</u>
TOTAL LIABILITIES	<u>1,964,470</u>	<u>2,132,861</u>
NET ASSETS:		
Invested in capital assets, net of related debt	826,552	850,790
Restricted for Debt Service	38,619	51,352
Restricted for subsequent years expenses	81,994	26,098
Unrestricted	<u>435,039</u>	<u>555,648</u>
TOTAL NET ASSETS	<u>\$ 1,382,204</u>	<u>\$ 1,483,888</u>

DEERFIELD PUBLIC SCHOOLS

STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Totals Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets 2008</u>	<u>2007</u>
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 1,794,543	\$	\$ 117,993	\$ (1,676,550)	\$ (1,846,299)
Support services	1,014,748		4,000	(1,010,748)	(995,823)
Food services	142,315	83,390	50,892	(8,033)	(6,581)
Athletics	119,732	15,463		(104,269)	(82,501)
Interest on long-term debt	45,894			(45,894)	(49,825)
Capital outlay	9,600			(9,600)	(65,425)
Other	5,112			(5,112)	(2,661)
Unallocated depreciation	124,915			(124,915)	(124,748)
Unallocated amortization	<u>1,872</u>			<u>(1,872)</u>	<u>(1,872)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 3,258,731</u>	<u>\$ 98,853</u>	<u>\$ 172,885</u>	<u>\$ (2,986,993)</u>	<u>\$ (3,175,735)</u>
GENERAL REVENUES:					
Property taxes, levied for general purposes				117,557	106,016
Property taxes, levied for debt service				196,851	201,370
Investment earnings				28,539	43,528
State sources				2,442,773	2,609,141
Intermediate sources				81,451	59,013
Other				<u>18,138</u>	<u>10,282</u>
TOTAL GENERAL REVENUES				<u>2,885,309</u>	<u>3,029,350</u>
CHANGE IN NET ASSETS				(101,684)	(146,385)
Net assets, beginning of year				<u>1,483,888</u>	<u>1,630,273</u>
Net assets, end of year				<u>\$ 1,382,204</u>	<u>\$ 1,483,888</u>

DEERFIELD PUBLIC SCHOOLS

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

With Comparative Totals for June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Totals Governmental Funds 2008	2007
ASSETS:				
Cash and cash equivalents	\$ 220,806	\$ 124,914	\$ 345,720	\$ 231,317
Investments	558,542		558,542	815,644
Accounts receivable	14,169		14,169	1,847
Interfund receivable	2,522	9,500	12,022	13,893
Due from other governmental units	450,693	936	451,629	451,016
Inventory				733
Prepaid expenses	<u>1,025</u>		<u>1,025</u>	<u>10,629</u>
TOTAL ASSETS	<u>\$ 1,247,757</u>	<u>\$ 135,350</u>	<u>\$ 1,383,107</u>	<u>\$ 1,525,079</u>
LIABILITIES:				
Accounts payable	\$ 11,451	\$	\$ 11,451	\$
State aid loan payable	450,000		450,000	500,000
Interfund payable	9,500	2,522	12,022	13,893
Salaries payable	181,010		181,010	191,492
Accrued expenditures	108,473		108,473	119,718
Deferred revenue	<u>4,674</u>	<u>923</u>	<u>5,597</u>	<u>2,277</u>
TOTAL LIABILITIES	<u>765,108</u>	<u>3,445</u>	<u>768,553</u>	<u>827,380</u>
FUND BALANCES:				
Reserved for:				
Inventory				733
School lunch program		9,181	9,181	9,704
Payment of debt		38,619	38,619	51,352
Capital outlay		81,994	81,994	26,098
Unreserved, reported in:				
General Fund	482,649		482,649	606,009
Special revenue funds	<u> </u>	<u>2,111</u>	<u>2,111</u>	<u>3,803</u>
TOTAL FUND BALANCES	<u>482,649</u>	<u>131,905</u>	<u>614,554</u>	<u>697,699</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,247,757</u>	<u>\$ 135,350</u>	<u>\$ 1,383,107</u>	<u>\$ 1,525,079</u>

DEERFIELD PUBLIC SCHOOLS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
TOTAL GOVERNMENTAL FUND BALANCES	\$ 614,554	\$ 697,699
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in the governmental activities are not financial resources and are not reported in the funds:		
The cost of the capital asset is	4,427,664	4,427,664
The accumulated depreciation is	<u>(2,487,328)</u>	<u>(2,362,413)</u>
	1,940,336	2,065,251
The cost of the leased property is	18,719	18,719
The accumulated amortization is	<u>(8,736)</u>	<u>(6,864)</u>
	9,983	11,855
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	9,037	9,773
Accrued interest receivable on defeased bonds	16,233	18,684
Long term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(1,140,000)	(1,245,000)
Interest payable on long-term debt	(3,598)	(3,881)
Capital lease obligation	(1,495)	(5,747)
Compensated absences	<u>(62,846)</u>	<u>(64,746)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,382,204</u>	<u>\$ 1,483,888</u>

DEERFIELD PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Totals Governmental Funds 2008	2007
REVENUES:				
Local sources:				
Property taxes	\$ 117,557	\$ 196,851	\$ 314,408	\$ 307,386
Investment earnings	27,277	1,262	28,539	43,528
Food sales and athletic admissions		98,853	98,853	100,442
Other	<u>13,674</u>	<u>4,464</u>	<u>18,138</u>	<u>10,507</u>
TOTAL LOCAL SOURCES	158,508	301,430	459,938	461,863
State sources	2,477,561	7,565	2,485,126	2,662,050
Federal sources	79,640	50,892	130,532	138,298
Intermediate sources	<u>82,187</u>	<u> </u>	<u>82,187</u>	<u>56,376</u>
TOTAL REVENUES	<u>2,797,896</u>	<u>359,887</u>	<u>3,157,783</u>	<u>3,318,587</u>
EXPENDITURES:				
Current:				
Instruction	1,795,237		1,795,237	1,979,333
Support services	1,020,037		1,020,037	1,017,828
Food service activities		142,484	142,484	130,041
Athletic activities		119,732	119,732	100,773
Other expenditures		2,661	2,661	210
Capital outlay	5,916	3,684	9,600	72,145
Debt service:				
Interest	<u> </u>	<u>46,177</u>	<u>46,177</u>	<u>50,678</u>
TOTAL EXPENDITURES	<u>2,821,190</u>	<u>314,738</u>	<u>3,135,928</u>	<u>3,351,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,294)</u>	<u>45,149</u>	<u>21,855</u>	<u>(32,421)</u>
OTHER FINANCING SOURCES (USES):				
Redemption of principal		(105,000)	(105,000)	(140,000)
Transfers in		100,066	100,066	94,545
Transfers out	<u>(100,066)</u>	<u> </u>	<u>(100,066)</u>	<u>(94,545)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,066)</u>	<u>(4,934)</u>	<u>(105,000)</u>	<u>(140,000)</u>
NET CHANGE IN FUND BALANCES	(123,360)	40,215	(83,145)	(172,421)
FUND BALANCES:				
Beginning of year	<u>606,009</u>	<u>91,690</u>	<u>697,699</u>	<u>870,120</u>
End of year	<u>\$ 482,649</u>	<u>\$ 131,905</u>	<u>\$ 614,554</u>	<u>\$ 697,699</u>

DEERFIELD PUBLIC SCHOOLS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
NET CHANGE IN FUND BALANCES TOTAL GOVERNMENTAL FUNDS	\$ (83,145)	\$ (172,421)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances. These costs are allocated over their estimated useful lives as depreciation on the Statement of Activities:		
Depreciation expense	(124,915)	(124,748)
Amortization expense on leased property	(1,872)	(1,872)
Capital outlay	4,252	10,644
Accrued interest on bonds and other long-term obligations is recorded in the Statement of Activities when incurred; it is not recorded in the governmental funds until it is paid:		
Accrued interest payable – beginning of year	3,881	4,734
Accrued interest payable – end of year	(3,598)	(3,881)
Revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.		
Special education revenue from the Lenawee Intermediate School District	(736)	2,637
Accrued interest receivable on defeased bonds	(2,451)	(2,451)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment on long-term debt and related items.	105,000	140,000
Compensated absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in governmental funds:		
Accrued compensated absences – beginning of year	64,746	65,719
Accrued compensated absences – end of year	<u>(62,846)</u>	<u>(64,746)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (101,684)</u>	<u>\$ (146,385)</u>

DEERFIELD PUBLIC SCHOOLS
STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008 and 2007

	Private Purpose <u>Trust Funds</u>	Agency <u>Fund</u>	Private Purpose <u>Trust Funds</u>	Agency <u>Fund</u>
<u>ASSETS</u>	<u>2008</u>		<u>2007</u>	
ASSETS:				
Cash and cash equivalents	\$ 15,859	\$ 23,890	\$ 16,717	\$ 25,142
TOTAL ASSETS	<u>\$ 15,859</u>	<u>\$ 23,890</u>	<u>\$ 16,717</u>	<u>\$ 25,142</u>
 <u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES:				
Due to student groups	\$	\$ 23,890	\$	\$ 25,142
NET ASSETS:				
Reserved for scholarships	<u>15,859</u>	<u> </u>	<u>16,717</u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,859</u>	<u>\$ 23,890</u>	<u>\$ 16,717</u>	<u>\$ 25,142</u>

DEERFIELD PUBLIC SCHOOLS
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	Totals Private Purpose Trust Funds <u>2007</u>
ADDITIONS:		
Investment earnings	\$ 142	\$ 150
Contributions	<u>500</u>	<u>500</u>
TOTAL ADDITIONS	<u>642</u>	<u>650</u>
DEDUCTIONS:		
Scholarships awarded	<u>1,500</u>	<u>1,500</u>
TOTAL DEDUCTIONS	<u>1,500</u>	<u>1,500</u>
Change In Net Assets	(858)	(850)
NET ASSETS:		
Beginning of year	<u>16,717</u>	<u>17,567</u>
End of year	<u>\$ 15,859</u>	<u>\$ 16,717</u>

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Deerfield Public Schools (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has implemented the provisions of Statement No. 34 effective July 1, 2003.

A. Reporting Entity

The District is governed by the Board of Education (the "Board") of Deerfield Public Schools, which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the District's activities are classified as governmental activities. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental activities column of the statement of net assets. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

This government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income, and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Other Non-major Funds

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trust or major capital projects). The District accounts for its food service, and athletic activities in the Special Revenue Funds.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the receipt of monies from the General Fund to purchase assets or to complete construction of major capital projects.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust Funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary Funds are not included in the government-wide statements.

The *Private Purpose Trust Fund* is accounted for using the accrual method of accounting. Private Purpose Trust Funds account for assets where both the principal and interest may be spent. These funds are not reported on the District financial statements.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency Funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The District has adopted a deposit and investment policy in accordance with GASB Statement No. 40.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation.

<u>Fund</u>	<u>Mills</u>
General Fund Non-homestead	18.0
2005 Debt Retirement (Homestead and Non-homestead)	2.3
Sinking Fund Millage (Homestead and and Non-homestead)	1.0

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and equipment	5 – 20 years
Transportation equipment	3 – 7 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

5. Fund Balances

Fund balances on the Governmental fund balance sheet are classified as either reserved or unreserved. The term reserved indicates that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use. The reserve for Inventory is the portion of fund balance represented by inventory not available for appropriation and expenditure at June 30, 2008. The reserve for the School lunch program represents the portion of fund balance that is legally segregated for expenditure within the School Lunch Fund. The reserve for Payment of debt and the reserve for Capital outlay are legally segregated for expenditure within the Debt Service Fund and Capital Projects Funds, respectively.

6. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent and Business Manager are authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriation, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

NOTE 3. DEPOSITS AND INVESTMENTS – CREDIT RISK

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$189,616 of the District's bank balance of \$389,616 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 189,616</u>
--------------------------------	-------------------

Investments

The District's sole investment is in the Michigan Liquid Asset Fund (MILAF) through Cadre Securities. This investment is not exposed to any risks subject to disclosure as required by GASB Statement No. 40. MILAF is a local government investment pool. MILAF may only invest in instruments as authorized by Sections 622, 1221 and 1223 of the Michigan school code.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS – CREDIT RISK (Continued)

Investments (Continued)

Credit Risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a credit risk policy. The MILAF investment is rated AAAm by Standard & Poor's Ratings Services.

Interest Rate Risk: The risk that changes in the interest rates will adversely affect the fair value of an investment. The District does not have an interest rate risk policy. The weighted average maturity of the MILAF portfolio at September 30, 2007 is 56 days.

NOTE 4. CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	<u>PRIMARY GOVERNMENT</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land improvements	\$ 141,902	\$	\$	\$ 141,902
Buildings and improvements	2,973,545			2,973,545
Machinery and equipment	1,312,217			1,312,217
Leased property under capital leases	<u>18,719</u>	<u> </u>	<u> </u>	<u>18,719</u>
Depreciable capital assets	<u>4,446,383</u>	<u> </u>	<u>-</u>	<u>4,446,383</u>
Less accumulated depreciation for:				
Land improvements	115,450	1,595		117,045
Buildings and improvements	1,217,152	56,755		1,273,907
Machinery and equipment	<u>1,029,811</u>	<u>66,565</u>	<u> </u>	<u>1,096,376</u>
Total accumulated depreciation	<u>2,362,413</u>	<u>124,915</u>	<u>-</u>	<u>2,487,328</u>
Less accumulated amortization for:				
Leased property under capital leases	<u>6,864</u>	<u>1,872</u>	<u>-</u>	<u>8,736</u>
Governmental activities capital assets, net	<u>\$ 2,077,106</u>	<u>\$ (126,787)</u>	<u>\$ -</u>	<u>\$ 1,950,319</u>

Depreciation and amortization are computed by the straight line method for all classes of assets. Depreciation and amortization for the fiscal year ended June 30, 2008 amounted to \$126,787 and \$126,620, respectively. The District determined that it was impractical to allocate depreciation and amortization to the various governmental activities as the assets serve multiple functions.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5. LONG-TERM DEBT

The School District has authorized refunding bonds, dated May 15, 2005, for the purpose of refunding a portion of a prior bond issue of the School District. The bonds were issued for \$1,345,000 at an interest rate ranging from 3.0% to 4.2%. The net present value of the savings is \$65,781 or 5.02% of refunded maturities.

These bonds are in compliance with Section 380.1212 of the Revised School Code.

A schedule of the 2007 bond issue is as follows:

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal Due May 1</u>	<u>Interest Due</u>		<u>Total</u>
			<u>May 1</u>	<u>November 1</u>	
2009	3.15%	\$ 110,000	\$ 21,435	\$ 21,435	\$ 152,870
2010	3.35%	115,000	19,647	19,647	154,294
2011	3.5%	120,000	17,721	17,721	155,442
2012	3.6%	120,000	15,621	15,621	151,242
2013	3.75%	125,000	13,461	13,461	151,922
2014	3.85%	130,000	11,118	11,118	152,236
2015	4.0%	135,000	8,615	8,615	152,230
2016	4.1%	140,000	5,915	5,915	151,830
2017	4.2%	<u>145,000</u>	<u>3,045</u>	<u>3,045</u>	<u>151,090</u>
		<u>\$ 1,140,000</u>	<u>\$ 116,578</u>	<u>\$ 116,578</u>	<u>\$ 1,373,156</u>

The School District has entered into a lease agreement with MTB Leasing, Inc. for the use of a copier. The lease term is 60 months, ending in October 2008, with payments of \$380 per month. At the end of the lease term, the School District intends to take advantage of the option to purchase the copier at fair market value.

Obligations of governmental activities under capital leases at June 30, 2008 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ <u>1,495</u>	\$ <u>25</u>	\$ <u>1,520</u>
	<u>\$ 1,495</u>	<u>\$ 25</u>	<u>\$ 1,520</u>

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5. LONG-TERM DEBT (Continued)

The following is a schedule of the governmental long term obligations for the District for the year ended June 30, 2008:

	2005 Refunding Bonds	Capital Lease	Compensated Absences	Total
Balance July 1, 2007	\$1,245,000	\$ 5,747	\$64,746	\$1,315,493
Additions				
Deductions	<u>(105,000)</u>	<u>(4,252)</u>	<u>(1,900)</u>	<u>(111,152)</u>
Balance June 30, 2008	1,140,000	1,495	62,846	1,204,341
Less: Current portion	<u>110,000</u>	<u>1,495</u>	<u> </u>	<u>111,495</u>
Total due after one year	<u>\$1,030,000</u>	<u>\$ </u>	<u>\$62,846</u>	<u>\$1,092,846</u>

The debt service requirements of governmental activities at June 30, 2008 were as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 110,000	\$ 42,870	\$ 152,870
2010	115,000	39,294	154,294
2011	120,000	35,442	155,442
2012	120,000	31,242	151,242
2013	125,000	26,922	151,922
2014-2017	<u>550,000</u>	<u>57,386</u>	<u>607,386</u>
	<u>\$ 1,140,000</u>	<u>\$ 233,156</u>	<u>\$ 1,373,156</u>

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 6. EMPLOYEE RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Plan Description The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental, and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of compensation up to \$5,000; 3.6% of compensation \$5,001 through \$15,000; 4.3% of compensation over \$15,000.

Members enrolled in MIP on or after July 1, 2008, will contribute 3% of compensation up to \$5,000; 3.6% of compensation \$5,001 through \$15,000; 6.4% of compensation over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to the MPERS for the years ended June 30, 2008, 2007, and 2006, were \$289,278, \$263,912, and \$274,517, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-employment Benefits Under the MPERS Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at June 30, 2008 are expected to be repaid within the next fiscal year.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 7. INTERFUND BALANCES AND TRANSFERS (Continued)

A schedule of interfund balances follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Major	\$ 2,522	Major	\$ 9,500
Nonmajor	<u>9,500</u>	Nonmajor	<u>2,522</u>
TOTALS	<u>\$ 12,022</u>		<u>\$ 12,022</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Nonmajor	\$ <u>100,066</u>	General	\$ <u>100,066</u>
TOTALS	<u>\$ 100,066</u>		<u>\$ 100,066</u>

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. The premiums are based on the ultimate cost of the experience to date of the participating members of the risk pool. The District cannot estimate losses from reported and unreported claims at June 30, 2008. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

DEERFIELD PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 9. CONTINGENCIES

The District had no contingencies at June 30, 2008

NOTE 10. SUBSEQUENT EVENTS

In September 2008 an employee that operated the school lunch and breakfast program was released from employment for alleged improper reporting of breakfasts served. The State of Michigan has been notified.

NOTE 11. FEDERAL PROGRAMS

During the year, the School District received Federal funds that are restricted to the purpose that they are intended. The following is a breakdown of those programs for the year ended June 30, 2008:

<u>Program Number</u>	<u>Program Name</u>	<u>Amount of Grant</u>	<u>Amount Spent</u>	<u>Balance to Carryforward</u>
081530 0708	Title I	\$ 27,557	\$ 27,557	\$
080250 0708	Title V LEA Allocation	78	78	
082490 0708	Title II D Enhancing Education	259	259	
080520 0708	Title II A Teacher Quality	13,059	13,059	
080440 0708	Service Provider Self Review	4,000	4,000	
Pass Thru	REAP	<u>34,687</u>	<u>34,687</u>	
	Total	<u>\$ 79,640</u>	<u>\$ 79,640</u>	<u>\$ -</u>

NOTE 12. AT RISK

During the year, the School District received State categorical aid for at risk students, which amounted to \$41,083. The School District spent all of these funds for at risk students.

NOTE 13. SHORT-TERM DEBT - STATE AID NOTES

State School aid anticipation notes are issued under the provisions of Section 1225 of Act 451, Public Acts of Michigan, and Act 34 of Michigan for the purpose of providing money for school operations. The District has pledged its state aid as collateral. In the event of unavailability or insufficiency of State school aid, the note is payable from taxes levied by the District. The interest rate is 3.68% and the maturity date is August 2008. The District expects to refinance its State School aid anticipation note under the same provisions as above for \$550,000, with an interest rate of 1.7% and maturity date of August 2009.

Short-term debt activity for the fiscal year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 500,000</u>	<u>\$ 450,000</u>	<u>\$ 500,000</u>	<u>\$ 450,000</u>

**INDEPENDENT AUDITORS' REPORT ON REQUIRED
SUPPLEMENTARY INFORMATION**

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 6, 2008

DEERFIELD PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources	\$ 137,837	\$ 168,770	\$ 158,508	\$ (10,262)
State sources	2,625,052	2,478,144	2,477,561	(583)
Federal sources	80,090	79,640	79,640	
Intermediate sources	<u>52,000</u>	<u>54,000</u>	<u>82,187</u>	<u>28,187</u>
TOTAL REVENUES	<u>2,894,979</u>	<u>2,780,554</u>	<u>2,797,896</u>	<u>17,342</u>
EXPENDITURES:				
Instruction:				
Basic programs	1,443,940	1,470,717	1,468,655	2,062
Added needs	<u>339,898</u>	<u>326,848</u>	<u>326,582</u>	<u>266</u>
TOTAL INSTRUCTION	<u>1,783,838</u>	<u>1,797,565</u>	<u>1,795,237</u>	<u>2,328</u>
Support services:				
Pupil	96,743	97,279	96,673	606
Instructional staff	20,378	19,640	19,295	345
General administration	229,184	229,707	194,450	35,257
School administration	192,329	188,254	186,559	1,695
Business	54,174	54,659	72,431	(17,772)
Operation and maintenance	299,505	296,553	291,462	5,091
Pupil transportation	123,500	124,000	110,000	14,000
Central	31,000	38,400	36,249	2,151
Other	17,202	16,205	17,684	(1,479)
Community services	<u> </u>	<u>1,150</u>	<u>1,150</u>	<u> </u>
TOTAL SUPPORT SERVICES	<u>1,064,015</u>	<u>1,065,847</u>	<u>1,025,953</u>	<u>39,894</u>
TOTAL EXPENDITURES	<u>2,847,853</u>	<u>2,863,412</u>	<u>2,821,190</u>	<u>42,222</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	47,126	(82,858)	(23,294)	59,564
OTHER FINANCING (USES):				
Transfers out	<u>(94,344)</u>	<u>(98,062)</u>	<u>(100,066)</u>	<u>(2,004)</u>
NET CHANGE IN FUND BALANCE	(47,218)	(180,920)	(123,360)	57,560
FUND BALANCE:				
Beginning of year			<u>606,009</u>	
End of year			<u>\$ 482,649</u>	

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Deerfield Public Schools taken as a whole. The accompanying information identified in the table of contents as combining financial statements and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 6, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Deerfield Public Schools
Deerfield, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Deerfield Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Deerfield Public Schools' basic financial statements and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Deerfield Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote

To the Board of Education
Deerfield Public Schools
Deerfield, Michigan

likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We considered the deficiencies described as 2008-1 thru 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2008-1 thru 2008-2, are not material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Deerfield Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Deerfield Public Schools' in a separate letter dated November 6, 2008.

Deerfield Public School's response to the findings identified in our audit is described in the accompanying schedule of findings and response. We did not audit Deerfield Public Schools' response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, Departments of the State of Michigan, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

Adrian, Michigan
November 6, 2008

DEERFIELD PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

Finding 2008-1

Finding considered a significant deficiency

Criteria:

Effective for the year ended June 30, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition

Currently there are no segregation of conflicting duties of initiating transactions, and the recording of those transactions.

Cause

The District has a limited number of personnel.

Effect

Segregation of duties would provide another measure of internal control to provide the ability of the District to determine, in a reasonable amount of time, whether all transactions initiated are recorded and reported timely and accurately.

Recommendation

The District should consider using the Treasurer of the Board of Education if duties are unable to be segregated with the personnel currently available.

Client Response

We are aware of the deficiency and will work with the Board of Education to determine what can be done that is cost effective to promote segregation of duties.

DEERFIELD PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008

Finding 2008-2

Finding considered a significant deficiency

Criteria:

In accordance with Statement of Auditing Standards (SAS) 112, as amended by SAS 115, it is required that all instances of fraud or misappropriated of assets of any kind be reported in writing.

Cause

Improper control over the preparation of food service program reports for reimbursement.

Effect

As a result of this condition, monies funds received for reimbursement of breakfast meals served could be overstated, resulting in an overstated statement of revenue report.

Recommendation

Management design a policy or procedure that oversees the assimilation, preparation and submission of reports, that reconcile to their subsidiary records.

Client Response

Once the investigation is complete by the State of Michigan, we will develop policies or procedures that will provide accuracy in the reports submitted.

DEERFIELD PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

June 30, 2008
With Comparative Totals for June 30, 2007

				Totals Nonmajor Governmental Funds	
<u>ASSETS</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 11,279	\$ 41,141	\$ 72,494	\$ 124,914	\$ 91,057
Due from other funds			9,500	9,500	13,893
Due from State of Michigan	936			936	897
Inventory					733
TOTAL ASSETS	<u>\$ 12,215</u>	<u>\$ 41,141</u>	<u>\$ 81,994</u>	<u>\$ 135,350</u>	<u>\$ 106,580</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Due to other funds		2,522		2,522	13,893
Deferred revenue	<u>923</u>			<u>923</u>	<u>997</u>
TOTAL LIABILITIES	<u>923</u>	<u>2,522</u>		<u>3,445</u>	<u>14,890</u>
FUND BALANCES:					
Reserved for:					
Inventory					733
School lunch program	9,181			9,181	9,704
Capital outlay			81,994	81,994	26,098
Payment of debt		38,619		38,619	51,352
Unreserved, reported in:					
Special revenue funds	<u>2,111</u>			<u>2,111</u>	<u>3,803</u>
TOTAL FUND BALANCES	<u>11,292</u>	<u>38,619</u>	<u>81,994</u>	<u>131,905</u>	<u>91,690</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,215</u>	<u>\$ 41,141</u>	<u>\$ 81,994</u>	<u>\$ 135,350</u>	<u>\$ 106,580</u>

DEERFIELD PUBLIC SCHOOLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUND TYPES

**For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Totals Nonmajor Governmental Funds	
				<u>2008</u>	<u>2007</u>
REVENUES:					
Local sources:					
Property taxes	\$	\$ 137,199	\$ 59,652	\$ 196,851	\$ 201,370
Investment earnings	18	1,057	187	1,262	1,504
Food sales and athletic admission	98,853			98,853	100,442
Other	<u>4,028</u>	<u>393</u>	<u>43</u>	<u>4,464</u>	
TOTAL LOCAL SOURCES	102,899	138,649	59,882	301,430	303,316
State sources	7,565			7,565	7,912
Federal sources	<u>50,892</u>			<u>50,892</u>	<u>40,480</u>
TOTAL REVENUES	<u>161,356</u>	<u>138,649</u>	<u>59,882</u>	<u>359,887</u>	<u>351,708</u>
EXPENDITURES:					
Current:					
Food service activities	142,484			142,484	130,041
Athletic activities	119,732			119,732	100,773
Other expenditures			2,456	2,456	10
Capital outlay	2,154		1,530	3,684	57,612
Debt Service:					
Principal repayment		105,000		105,000	140,000
Interest		46,177		46,177	50,678
Other		<u>205</u>		<u>205</u>	<u>200</u>
TOTAL EXPENDITURES	<u>264,370</u>	<u>151,382</u>	<u>3,986</u>	<u>419,738</u>	<u>479,314</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(103,014)</u>	<u>(12,733)</u>	<u>55,896</u>	<u>(59,851)</u>	<u>(127,606)</u>
OTHER FINANCING SOURCES (USES):					
Sale of school property					
Transfers in	100,066			100,066	94,545
Transfers out					<u>(13,893)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,066</u>			<u>100,066</u>	<u>80,652</u>
NET CHANGE IN FUND BALANCES	(2,948)	(12,733)	55,896	40,215	(46,954)
FUND BALANCES:					
Beginning of year	<u>14,240</u>	<u>51,352</u>	<u>26,098</u>	<u>91,690</u>	<u>138,644</u>
End of year	<u>\$ 11,292</u>	<u>\$ 38,619</u>	<u>\$ 81,994</u>	<u>\$ 131,905</u>	<u>\$ 91,690</u>

DEERFIELD PUBLIC SCHOOLS

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS

June 30, 2008

With Comparative Totals for June 30, 2007

			Totals	
<u>ASSETS</u>	<u>School Lunch</u>	<u>Athletics</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 9,168	\$ 2,111	\$ 11,279	\$ 13,607
Due from other governmental units	936		936	897
Inventory				733
TOTAL ASSETS	<u>\$ 10,104</u>	<u>\$ 2,111</u>	<u>\$ 12,215</u>	<u>\$ 15,237</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to other funds	\$	\$	\$	\$
Deferred revenue	<u>923</u>		<u>923</u>	<u>997</u>
TOTAL LIABILITIES	<u>923</u>	<u>-</u>	<u>923</u>	<u>997</u>
FUND BALANCES:				
Reserved for:				
Inventory				733
School lunch program	9,181		9,181	9,704
Unreserved, reported in:				
Special Revenue Funds	<u></u>	<u>2,111</u>	<u>2,111</u>	<u>3,803</u>
TOTAL FUND BALANCES	<u>9,181</u>	<u>2,111</u>	<u>11,292</u>	<u>14,240</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,104</u>	<u>\$ 2,111</u>	<u>\$ 12,215</u>	<u>\$ 15,237</u>

DEERFIELD PUBLIC SCHOOLS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

SPECIAL REVENUE FUNDS

**For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007**

	<u>School Lunch</u>	<u>Athletics</u>	<u>2008</u>	Totals <u>2007</u>
REVENUES:				
Local sources:				
Food sales and athletic admissions	\$ 83,390	\$ 15,463	\$ 98,853	\$ 100,442
Investment earnings	18		18	
Other	<u>1,517</u>	<u>2,511</u>	<u>4,028</u>	<u> </u>
TOTAL LOCAL SOURCES	84,925	17,974	102,899	100,442
State sources	7,565		7,565	7,912
Federal sources	<u>50,892</u>	<u> </u>	<u>50,892</u>	<u>40,480</u>
TOTAL REVENUES	<u>143,382</u>	<u>17,974</u>	<u>161,356</u>	<u>148,834</u>
EXPENDITURES:				
Cost of goods sold – net	72,994		72,994	61,874
Salaries and wages	48,326	56,255	104,581	101,190
Employee benefits	13,139	9,865	23,004	24,102
Contracted services	1,883	20,482	22,365	6,794
Travel, workshops, and conferences	776	73	849	1,061
Materials and supplies	405	10,530	10,935	11,290
Capital outlay	2,154		2,154	11,278
Miscellaneous	<u>4,961</u>	<u>22,527</u>	<u>27,488</u>	<u>24,503</u>
TOTAL EXPENDITURES	<u>144,638</u>	<u>119,732</u>	<u>264,370</u>	<u>242,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,256)	(101,758)	(103,014)	(93,258)
OTHER FINANCING SOURCES (USES):				
Transfers in	<u> </u>	<u>100,066</u>	<u>100,066</u>	<u>80,652</u>
NET CHANGE IN FUND BALANCES	(1,256)	(1,692)	(2,948)	(12,606)
FUND BALANCES:				
Beginning of year	<u>10,437</u>	<u>3,803</u>	<u>14,240</u>	<u>26,846</u>
End of year	<u>\$ 9,181</u>	<u>\$ 2,111</u>	<u>\$ 11,292</u>	<u>\$ 14,240</u>

DEERFIELD PUBLIC SCHOOLS

COMBINING BALANCE SHEET

CAPITAL PROJECTS FUNDS

June 30, 2008

With Comparative Totals for June 30, 2007

<u>ASSETS</u>	<u>2007</u> <u>Sinking Fund</u>	<u>Building</u> <u>Capital Project</u>	<u>2008</u>	Totals <u>2007</u>
Cash and cash equivalents	\$ 48,665	\$ 23,829	\$ 72,494	\$ 12,914
Due from other funds	<u>9,500</u>	<u> </u>	<u>9,500</u>	<u>13,893</u>
TOTAL ASSETS	<u>\$ 58,165</u>	<u>\$ 23,829</u>	<u>\$ 81,994</u>	<u>\$ 26,807</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other funds	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u>709</u>
Fund Balance:				
Reserved for capital outlay	<u>58,165</u>	<u>23,829</u>	<u>81,994</u>	<u>26,098</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,165</u>	<u>\$ 23,829</u>	<u>\$ 81,994</u>	<u>\$ 26,807</u>

DEERFIELD PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

CAPITAL PROJECTS FUNDS

For the Year Ended June 30, 2008
With Comparative Totals for the Year Ended June 30, 2007

	<u>2007</u> <u>Sinking Fund</u>	<u>Building</u> <u>Capital Project</u>	<u>2008</u>	Totals <u>2007</u>
REVENUES:				
Local sources:				
Taxes	59,652		59,652	
Investment earnings		187	187	325
Other	\$ 43	\$	\$ 43	\$
TOTAL REVENUES	<u>59,695</u>	<u>187</u>	<u>59,882</u>	<u>325</u>
EXPENDITURES:				
Operating expenses		2,456	2,456	10
Capital outlay	<u>1,530</u>	<u></u>	<u>1,530</u>	<u>46,334</u>
TOTAL EXPENDITURES	<u>1,530</u>	<u>2,456</u>	<u>3,986</u>	<u>46,344</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>58,165</u>	<u>(2,269)</u>	<u>55,896</u>	<u>(46,019)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				13,893
Transfers out	<u></u>	<u></u>	<u></u>	<u>(709)</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u></u>	<u></u>	<u></u>	<u>13,184</u>
NET CHANGE IN FUND BALANCES	58,165	(2,269)	55,896	(32,835)
FUND BALANCES:				
Beginning of year	<u>-</u>	<u>26,098</u>	<u>26,098</u>	<u>58,933</u>
End of year	<u>\$ 58,165</u>	<u>\$ 23,829</u>	<u>\$ 81,994</u>	<u>\$ 26,098</u>

DEERFIELD PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
PRIVATE PURPOSE TRUST FUND
For the Year Ended June 30, 2008

	<u>Balance July 1, 2007</u>	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>	<u>Balance June 30, 2008</u>
Moriarty Scholarship	<u>\$ 16,717</u>	<u>\$ 642</u>	<u>\$ 1,500</u>	<u>\$ 15,859</u>

DEERFIELD PUBLIC SCHOOLS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES

AGENCY FUND

For the Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Cash and equivalents	<u>\$ 25,142</u>	<u>\$ 65,639</u>	<u>\$ 66,891</u>	<u>\$ 23,890</u>